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DE RUEHJA #0859 1201006
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R 291006Z APR 08
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 8870
RUEATRS/DEPT OF TREASURY WASHDC
INFO RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 1901
RUEHBJ/AMEMBASSY BEIJING 4994
RUEHBY/AMEMBASSY CANBERRA 2423
RUEHUL/AMEMBASSY SEOUL 4552
RUEAIIA/CIA WASHDC
RHEHAAA/WHITE HOUSE WASHDC

UNCLAS JAKARTA 000859

SIPDIS
SENSITIVE

DEPT FOR EAP/MTS AND EEB/TPP/ABT/ATP
TREASURY FOR IA-SETH SEARLS AND JWEEKS
SINGAPORE FOR SBAKER
TOKYO FOR MGREWE
COMMERCE FOR 4430/BERLINGUETTE
USDA/FAS/OA YOST, MILLER, JACKSON
USDA/FAS/OCRA CRIKER, HIGGISTON, RADLER
USDA/FAS/OGA CHAUDRY, DWYER
USTR FOR WEISEL, EHLERS

FROM AMBASSADOR HUME TO U/S JEFFERY

E.O. 12598: N/A

TAGS: [EFIN](#) [EAGR](#) [ECON](#) [ETRD](#) [PGOV](#) [ID](#)

SUBJECT: INDONESIANS REQUEST US HELP TO CALM RICE MARKETS

¶1. (SBU) Summary. This is an action request. Indonesian Trade Minister Mari Pangestu has requested that the U.S. Government seek to persuade Japan and China to release rice stocks in an effort to calm world rice markets. Rice prices in Asia have tripled in the past four months, despite ample stocks. Indonesian officials expect the country will need to import rice later this year. I would request that Under Secretary Jeffery contact Japanese and Chinese counterparts this week to support Minister Pangestu's request.

Trade Minister Seeks US Assistance

¶2. (SBU) Indonesian Trade Minister Mari Pangestu has requested U.S. assistance in persuading Japan and China to release rice stocks in an effort to calm world rice markets. She expects that Indonesia will need to import rice during the third or fourth quarter this year, despite signs that the 2008 harvest will exceed last year's level. If current trends continue, Indonesia is likely to face rice prices three to four times higher than last year. Minister Pangestu noted that market failures, in the form of export restrictions primarily by India and Vietnam and panic buying from the Philippines, are the primary causes of recent price increases. Although rice prices have tripled in the past four months in Asia, the region as a whole is in rice surplus. The equilibrium price of rice in Asia should be around \$600 per metric ton, or half the current level, according to the Minister.

¶3. (SBU) In the Minister's view, China and Japan hold the key to calming markets in the short term and countering the perception that the region is facing a rice shortage. Experts estimate that the current rice shortfall in international markets is roughly 4 million metric tons. China holds 37 million metric tons of rice in storage, equivalent to 3 months of consumption needs, according to Pangestu. Most other nations hold one month of consumption needs for emergency purposes. Japan holds an additional 1.5 million metric tons of rice in storage that it has imported from California. Minister Pangestu believes the Japanese government will hesitate to release these stocks without the tacit consent of the United States, given

long-standing U.S. efforts to open the Japanese rice market.

14. (SBU) Minister Pangestu is meeting with her ASEAN counter-parts this weekend in Bali, where they will discuss the rice price issue in detail. Ambassador Susan Schwab will meet with Minister Pangestu on the margins of the ASEAN meetings on Friday, May 2. I hope you can be in touch with your Japanese and Chinese counterparts in time for Ambassador Schwab to be able to provide feedback to Minister Pangestu on her request.

HUME